

Message Text

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ACTION EB-11

INFO OCT-01 NEA-10 ADP-00 AID-20 L-03 H-02 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 EUR-25 DODE-00 PA-03 USIA-12 PRS-01 RSR-01

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R 120940 Z APR 73

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 9369

INFO AMEMBASSY ISLAMABAD

C O N F I D E N T I A L DACCA 1608

E. O. 11652: GDS

TAGS: EAID EFIN BG PK

SUBJ: PAK/ BANGLADESH DEBT DIVISION

REF: (A) ISLAMABAD 2920; (B) DACCA 1421

SUMMARY: BDG POSITION ON DEBT QUESTION HAS BEEN PUBLICIZED AND HAS GROWN HARDER. BDG " OFFENDED" BY CONDITIONAL PLEDGES BY DONORS

AND PRIVATELY HAS ASCRIBED POLITICAL MOTIVATION TO THEM AS MEANS TO FORCE BANGLADESH INTO DEALING WITH PAKISTAN. WITH OPPOSITION NEWSPAPERS ALSO SUPPORTING BDG ON STAND RE DEBT, WE SEE LITTLE LIKELIHOOD OF OBJECTIVE RECONSIDERATION BY BDG OF DEBT POSITION AT THIS TIME.

1. EMBASSY TENDS AGREE WITH REPORTED CARGILL POSITION THAT CONSORTIUM LEVERAGE ON BANGLADESH RE ACCEPTANCE BY BDG OF DEBT LIABILITY IS " SEVERELY LIMITED". IN FIRST PLACE, NO BANGLADESH CONSORTIUM HAS BEEN FORMED. DONORS MEETING BROKE UP WITH TWO SIDES WILLING AGREE IN JOINT COMMUNIQUE ONLY THAT " FURTHER EXCHANGE OF VIEWS IN DUE COURSE WOULD BE VALUABLE". IN PRESS CONFERENCE APRIL 1 FOLLOWING MEETING, PLANNING COMMISSION DEPUTY CHAIRMAN NURUL ISLAM OBSERVED THAT WITH RESPECT TO MOBILIZING
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FURTHER ASSISTANCE FOR BANGLADESH, " DELEGATES WOULD GO BACK TO THINK IT OVER AND PROCEED ON BILATERAL BASIS".

2. BDG PUBLIC POSITION ON DEBT HAS HARDENED. IN SAME PRESS CONFERENCE, ISLAM QUOTED AS STATING " QUESTION OF DEBT REPAYMENT WAS NOT ON AGENDA... IT WAS A PROBLEM WHICH CONCERNED PAKISTAN... BANGLADESH CONSIDERS SOLUTION (DEBT QUESTION) AS PART OF OVERALL SETTLEMENT " WITH PAKISTAN)". IN LOCAL PRESS APRIL 7, FINANCE MINISTER TAJUDDIN AHMED REPORTED AS TELLING VISITING GERMAN CORRESPONDENT, " QUESTION OF SHARING REPAYMENT OF FOREIGN LOANS GIVEN PAKISTAN BEFORE EMERGENCE BANGLADESH COULD NOT ARISE AS LOAN GIVEN PAKISTAN, NOT BANGLADESH". ALSO STATED, " PAKISTAN DID NOT GIVE US SHARE OF GOLD DEPOSIT AT IMF AND HER STATE BANK. WHY SHOULD WE SHARE HER LIABILITY ?"

3. WE HAVE SINCE RECEIVED FURTHER INDIRECT REPORTS BDG " OFFENDED" (REF B) BY DONORS MAKING CONDITIONAL PLEDGES ON DEVELOPMENT AID WHEN ISLAM REQUESTED NO PLEDGES BE MADE AT ALL IF DONORS FELT THEY COULD BE MADE ONLY CONDITIONALLY. IN COURSE OF INITIAL COURTESY CALL BY DUTCH CHARGE ON NEW FOREIGN MINISTER KAMAL HUSSEIN THE DAY AFTER DACCA MEETING, LATTER STATED WHAT DONORS DID IN MAKING CONDITIONAL PLEDGES WAS TO ATTEMPT TO PREJUDICE BANGLADESH POSITION ON LARGER POLITICAL PLANE (VIS- A- VIS PAKISTAN). CLEAR TO US IMPORTANT ELEMENTS BDG INTERPRET STANCE ASSUMED BY PAK CONSORTIUM MEMBERS IN BANGLADESH AID DONORS MEETING AS POLITICAL MOVE TO FORCE BANGLADESH INTO DEALING WITH PAKISTAN, NOT AS A FINANCIAL/ ECONOMIC/ DEVELOPMENTAL MOVE.

4. THOUGH SOME EVIDENCE WORKING LEVELS BDG WERE PREPARED FOR DEBT ISSUE IN DACCA MEETING AND HAD LAID OUT POSITIONS, MUCH OF THIS APPARENTLY NOT COMMUNICATED IN GOOD TIME TO MUJIB. LATTER APPEARS TO HAVE BEEN CAUGHT SOMEWHAT BY SURPRISE AND TO HAVE REACTED ADVERSELY TO ANY SUGGESTION OF BDG ASSUMING EVEN PARTIALLY ACCOMMODATING POSITION ON QUESTION.

5. HIGH- LEVEL BANGLADESH BANK SOURCE INFORMED UK HIGH COMMISSION THAT NOTES OF PROTEST FROM BDG WERE GOING OUT TO NATIONS PLEDGING CONDITIONALLY AND STRONG RESENTMENT BY GOVERNMENT ON DEBT QUESTION
ALREADY HAD EFFECT OF INDUCING SOME LESSER DONORS TO WITHDRAW CONDITIONS. NO SUCH NOTES HAVE TO OUR KNOWLEDGE BEEN SENT, NOR HAVE WE HEARD OF ANY APPROACH MADE TO DONOR REPRESENTATIVES TO BACK DOWN FROM CONTIONAL PLEDGING. STORY, HWEVER, MAY HAVE
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BEEN ENGENDERED BY CONSIDERATION OF SUCH DEMARCHES IN BDG.

6. PRESS PLAY FOLLOWING DONORS MEETING HAS BEEN FAVORABLE BDG STAND, WITH THREE EDITORIALS WARMLY ENDORSING IT. EARLIER, THE POSSIBLE RAISING OF DEBT QUESTION IN MEETING HAD BEEN DESCRIBED BY MUSSAFER NAP DAILY SANGBAD AS "FILTHY TRICK TO CRIPPLE NEWBORN BANGLADESH... LED BY US". DAILY BANGLAR BANI, EDITED BY MUJIB' S NEPHEW, URGED BDG TO "STICK TO AGENDA" OF DEVELOPMENT CONFERENCE. BDG COMPLIED. FOLLOWING MEETING, TWO STRIDENT OPPOSITION WEEKLIES, WAVE AND HOLIDAY, BOTH MADE UNIQUE GESTURE OF COMPLIMENTING GOVERNMENT FOR NOT YIELDING ON DEBT QUESTION AND THEN GOING ON TO CONTEND, IN STANDARD MANNER, THAT ANY ACCEPTANCE OF WESTERN AID WAS SUBMISSION TIO IMPERIALIST PLOT AND BETRAYAL OF BD SOCIALISM. PRO- AWAMI LEAGUE DAILY JANOPAD APRIL 10 HAS STORY QUOTING "FOREIGN SOURCE", THAT PAK CONSORTIUM COUNTRIES, INCLUDING US, PRESSING PALISTAN TO REPAY LOANS IN JUNE; PAPER THINKS THIS WILL COMPEL BHUTTO TO TALK WITH MUJIB. APRIL 11 BANGLAR BANI HAD EDITORIAL TO SAME EFFECT.

7. IN SUM, EMBASSY FEELS THAT POLITICAL MOTIVATION IN RAISING DEBT QUESTION HAS BEEN ASCRIBED TO DONORS BY HIGHEST LEVELS BDG. IT ALREADY UNDER OTHER PRESSURES ON POLITICAL SIDE, PARTICULARLY FROM IN

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